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SUBJECT: OMV, RWE Announce Trans-Caspian Pipeline Joint
Venture; Says Nabucco Financing is Intact

REF: (A) VIENNA 1351; (B) VIENNA 1344

¶1. On December 22, Austrian oil and gas company OMV announced it will set up a joint venture with German RWE to study "pipeline solutions" for exploiting the rich natural gas resources from the Eastern side of the Caspian Sea to Europe. The planned "Caspian Energy Company" will have its headquarters in London, according to OMV, but is subject to approval from the Austrian, German and EU competition authorities. The studies would then start as early as possible in 2009. The project's main goal is to find means to bring the region's to the planned Nabucco International Gas Pipeline.

¶2. "The project is a signal to the Caspian neighboring countries Azerbaijan and Turkmenistan about the seriousness of our intent to bring Caspian gas to Europe", OMV representative Thomas Huemer said publicly. The existing South Caucasus Pipeline (SCP) from Azerbaijan to Turkey, run by BP and Statoil, could also profit from the project, OMV said. It was open whether a link to SCP or the construction of a new pipeline -- to be run by the new Caspian Energy Company -- would better serve to deliver Caspian gas into Nabucco. OMV is inviting "all other interested oil and gas companies" to join the new venture.

¶3. Separately, the Nabucco consortium announced that despite the world financial crisis, financing for the planned Nabucco pipeline (currently projected to cost EUR 7.9 billion) is not in jeopardy. The announcement came after talks with potential lenders including IFI's European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and the International Finance Corporation (IFC), according to Nabucco CEO / OMV VP Reinhard Mitschek. Those institutions would account for around 70 percent of the investment, while the Nabucco consortium companies would contribute the remaining 30 percent. In addition, prices for raw material such as steel are projected to fall, helping to keep costs in line.

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